

**REPORT OF THE AUDIT OF THE
TRIGG COUNTY
SHERIFF**

**For The Year Ended
December 31, 2005**



**CRIT LUALLEN
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
TRIGG COUNTY SHERIFF

For The Year Ended
December 31, 2005

The Auditor of Public Accounts has completed the Trigg County Sheriff's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

No Excess fees were due for 2005. Revenues increased by \$67,460 from the prior year and expenditures increased by \$67,460.

Debt Obligations:

Capital lease principal agreements totaled \$9,319 as of December 31, 2005. Future principal payments of \$9,319 are needed to meet these obligations.

Report Comments:

- The Sheriff's Office Should Maintain Records In Accordance With KRS 68.210
- The Sheriff's Office Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Stanley H. Humphries, Trigg County Judge/Executive
The Honorable Randy Clark, Trigg County Sheriff
Members of the Trigg County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Trigg County, Kentucky, for the year ended December 31, 2005. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2007 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Stanley H. Humphries, Trigg County Judge/Executive
The Honorable Randy Clark, Trigg County Sheriff
Members of the Trigg County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff's Office Should Maintain Records In Accordance With KRS 68.210
- The Sheriff's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Trigg County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

March 14, 2007

TRIGG COUNTY
 RANDY CLARK, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

Federal Grants		\$	14,388
State - Kentucky Law Enforcement Foundation Program Fund			13,580
State Fees For Services			12,351
Circuit Court Clerk			1,207
Fiscal Court			95,645
County Clerk - Delinquent Taxes			1,642
Commission On Taxes Collected			194,436
Fees Collected For Services:			
Auto Inspections	\$	6,810	
Accident and Police Reports		482	
Serving Papers		13,290	
Carrying Concealed Deadly Weapon Permits		<u>5,654</u>	26,236
Other:			
Tax Penalty Fees		21,618	
Sheriff Fees		2,485	
Advertising Fees		1,400	
Miscellaneous		<u>44</u>	25,547
Interest Earned			1,789
Borrowed Money:			
State Advancement		137,631	
Bank Note		<u>35,000</u>	<u>172,631</u>
Total Revenues			559,452

The accompanying notes are an integral part of this financial statement.

TRIGG COUNTY
 RANDY CLARK, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2005
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 199,834

Kentucky Law Enforcement Salaries 12,400

Employee Benefits-

Employer's Share Social Security 18,634

Employer's Share Retirement 1,180 \$ 232,048

Contracted Services-

Advertising 59

Tower Rental 2,100 2,159

Materials and Supplies-

Office Materials and Supplies 2,810

Uniforms 3,259 6,069

Auto Expense-

Gasoline 18,314

Other Charges-

Conventions and Travel 2,374

Training 1,092

Dues 405

Postage 6,223

Phone 11,077

Carrying Concealed Deadly Weapon Permits 3,027

Miscellaneous 1,389

2004 Tax Settlement 2,164

Transporting Prisoners 567 28,318

Capital Outlay-

Office Equipment 23,770

Debt Service:

State Advancement 137,631

Vehicle Lease 7,455

Notes 35,000

Interest 1,617 181,703

Total Expenditures \$ 492,381

Net Revenues 67,071

Less: Statutory Maximum 67,071

Excess Fees Due County for 2005 \$ 0

The accompanying notes are an integral part of this financial statement.

TRIGG COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2005

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

TRIGG COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2005
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 41.240(4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Kentucky Law Enforcement Foundation Program Fund (KLEFPF)

The Trigg County Sheriff's office was awarded a grant under the Kentucky Law Enforcement Foundation Program Fund (KLEFPF) from the Commonwealth of Kentucky Department of Criminal Justice. Under the program, eligible officers received up to \$3,100 annually as provided in KRS 15.460. During 2005, the Trigg County Sheriff's office received \$13,580.

TRIGG COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2005
 (Continued)

Note 5. Lease

The office of the Sheriff was committed to a lease agreement with Farmers Bank & Capital Trust Company for a 2004 Ford Expedition. The agreement requires 16 quarterly payments of \$1,864 to be completed on February 5, 2007. The total remaining balance of the agreement was \$9,319 as of December 31, 2005.

<u>Year End</u>	<u>Principal</u>
December 2006	\$ 7,455
December 2007	<u>1,864</u>
	<u>\$ 9,319</u>

Note 6. Drug Fund

The Trigg County Sheriff's office maintains a Drug Fund used for drug enforcement purposes as set out in KRS 218A.440. The Drug Fund had a beginning balance of \$4,178. During 2005, no receipts were received and expenses of \$3,615 were paid, leaving a balance of \$563 as of December 31, 2005.

Note 7. Fiscal Court Contribution

The Trigg County Sheriff's Office had a deficit totaling \$19,071 for the year ended December 31, 2005, due to unexpected expenditures. The Sheriff requested the fiscal court to contribute \$19,071 to the Sheriff's Office to fund the deficit. The fiscal court approved the contribution of \$19,071 to the Sheriff on February 21, 2006, and it is included in the revenues from fiscal court as listed on the financial statement.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Stanley H. Humphries, Trigg County Judge/Executive
The Honorable Randy Clark, Trigg County Sheriff
Members of the Trigg County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Trigg County Sheriff for the year ended December 31, 2005, and have issued our report thereon dated March 14, 2007. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Trigg County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. This reportable condition is described in the accompanying comments and recommendations.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Trigg County Sheriff's financial statement for the year ended December 31, 2005, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff's Office Should Maintain Records In Accordance With KRS 68.210

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

March 14, 2007

COMMENTS AND RECOMMENDATIONS

TRIGG COUNTY
RANDY CLARK, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2005

STATE LAWS AND REGULATIONS:

The Sheriff's Office Should Maintain Records In Accordance With KRS 68.210

KRS 68.210 authorizes the State and Local Finance Officer to set minimum accounting requirements for elected fee officials.

- Deposits should be made intact and on a daily basis. The Sheriff's office made 45 deposits to the fee account during 2005, which is an average of three (3) deposits a month. Also, the Sheriff did not receipt and deposit funds received for serving papers until the service was performed. This is sometimes a significant amount of time between the time that the funds are received and paper is served.
- The Quarterly Report should be accurate and complete. The budget column of the Sheriff's Quarterly Report for December 31, 2005 did not include the Sheriff's approved budget, which would allow the Sheriff to monitor his budget. All funds maintained at the Sheriff's office (i.e. Drug Fund, Tax Accounts) should be included on the front page of the Quarterly Report. In addition, the Sheriff's liability worksheet did not include all liabilities of the Sheriff's office for 2005.

We recommend the Sheriff resolve these deficiencies by maintaining records in accordance with KRS 68.210.

Sheriff's Response: None

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size, and budget restrictions the official has limited options for establishing an adequate segregation of duties. We recommend the following compensating controls be implemented to offset this material internal control weakness:

- The Sheriff or his designee should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. This should be documented by initialing the bank deposit, daily deposit, and receipts ledger.
- The Sheriff or his designee should compare the quarterly financial report to receipts and disbursements ledgers for accuracy. The Sheriff or his designee should also compare the salaries listed on the quarterly report to the individual earning records. Any differences should be reconciled. This should be documented by initialing the quarterly financial report.
- The Sheriff or his designee should periodically compare invoices to payments. This should be documented by initialing the invoices.
- The Sheriff or his designee should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. This should be documented by initialing the bank reconciliation and the balance in the checkbook.

Sheriff's Response: None

